

**BEFORE THE
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2018-82 -S**

IN RE:)
)
Application of Palmetto Wastewater)
Reclamation LLC for Adjustment of)
Rates and Charges for, and the Modification)
of Certain Terms and Conditions Related to,)
the Provision of Sewer service.)
_____)

VERIFICATION OF TESTIMONY

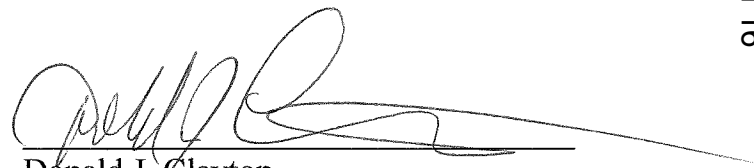
Personally appeared before me, Donald J. Clayton, who, being duly sworn,
deposes and states as follows:

1. I am over eighteen years of age and competent to testify to matters stated in
my attached pre-filed direct testimony and exhibits submitted on behalf of Palmetto
Wastewater Reclamation LLC.

2. I hereby verify that the statements made in the pre-filed Direct Testimony
of Donald J. Clayton are true and correct to the best of my knowledge and belief.

FURTHER AFFIANT SAYETH NOT.

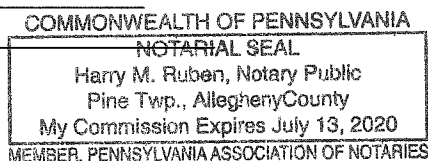
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF ALLEGHENY


Donald J. Clayton

Sworn to and subscribed before me
this 2nd day of April, 2019.



Notary Public for _____
My Commission Expires: _____



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 10 terms and conditions related to the)
 11 provision of)
 12 sewer service.)
 13 _____)
 14

15 **PREFILED DIRECT TESTIMONY OF DONALD J. CLAYTON**
 16 **ON BEHALF OF PALMETTO WASTEWATER RECLAMATION LLC**
 17

18 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

19 A. My name is Donald J. Clayton. My business address is 201 King of Prussia Road,
 20 Suite 650, Radnor, Pennsylvania, 19087.
 21

22 **Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

23 A. I am the Principal in charge of management consulting at Tangibl Group, Inc.
 24

25 **Q. HOW LONG HAVE YOU BEEN EMPLOYED AT TANGIBL GROUP INC.?**

26 A. I have been employed at Tangibl Group, Inc. since its inception in September of
 27 2016. I was with the forerunner company, Tangibl, LLC, since March of 2007.

A. Yes. I submitted testimony on behalf of Palmetto Utilities, Inc. in Docket Numbers 2011-24-S, 2013-42-S and 2017-228-S. I have also submitted testimony on behalf of Palmetto Wastewater Reclamation LLC in Docket Numbers 2012-198-S and 2014-69-S.

A. Yes. My recent testimonial history is attached hereto as DJC Appendix B.

A. The purpose of my testimony is to support the application for rate relief of Palmetto Wastewater Reclamation, LLC (“PWR”). I am also sponsoring Exhibit B to the application as filed with the Commission in this proceeding.

A. Yes.

sewer utility company like PWR. The resulting return on equity arising from this return on rate base is only 10.5%.

Q. PLEASE EXPLAIN HOW TEST YEAR REVENUES AND EXPENSES WERE ADJUSTED.

A. Pro forma adjustments were made to test year revenues and expenses based on known and measurable changes.

Q. WHAT ADJUSTMENTS WERE MADE TO THE PER BOOKS INCOME STATEMENT ON SCHEDULE B?

A. The adjustments to the per books income statement on Schedule B include annualization of current contractual service costs, increase in insurance costs, 3-year amortization of rate case expense, a decrease in bad debt expense and increases in corporate overhead costs. In addition, adjustments were made for increases in depreciation (partially offset by adjustments to CIAC amortization), property taxes and income taxes. Also interest expense was synchronized to rate base resulting in a significant decrease to actual book interest expense which is appropriate for cases filed using the rate base methodology. Lastly, AFUDC was removed from other income.

Q. HAS THE COMPANY MAINTAINED ITS CONTINUING PROPERTY RECORDS?

A. Yes. The Company has maintained its continuing property records.

Mr. Clayton holds a Bachelor of Science in Civil Engineering and a Master of Business Administration from Rensselaer Polytechnic Institute. He is a registered Professional Engineer in the Commonwealth of Pennsylvania, a Chartered Financial Analyst and a Certified Depreciation Professional.

2007-PRESENT TANGIBL GROUP, INC. (Formerly Tangibl, LLC)
PRINCIPAL
CHIEF FINANCIAL OFFICER

Mr. Clayton is also actively involved in Tangibl's development activities related to electric generating stations, and battery storage.

In this position Mr. Clayton conducted depreciation and rate related studies for studies for electric, gas, thermal, water, wastewater and railroad companies.

Conjunction LLC was formed to develop a high voltage direct current transmission line from upstate New York to New York City.

- Responsible for day-to-day activities of the firm, raising equity capital to fund the project and negotiation of numerous contracts and agreements between the Company and its consultants, lawyers, land owners and investors.
- Responsible for preparation of the Company's transmission siting filing under Article VII before the New York Public Service Commission and the FERC filing for merchant transmission line status.

2000-2002 ENERGY LEADER CONSULTING, LLC
PARTNER

Energy Leader Consulting provided strategic consulting to energy companies concerning opportunities related to electric generating stations.

- Performed acquisition analysis for generating stations, identification of power plant development opportunities throughout the U.S. market and diagnostic studies for electric generators.
- Led multi-million-dollar study for Amtrak to determine the feasibility of using their railroad rights-of-way for electric transmission.

1985-2000 DQE
VICE PRESIDENT AND TREASURER
PRESIDENT – AQUASOURCE
MANAGER – VALUATION AND PROPERTY RECORDS DEPARTMENT

- Mr. Clayton developed and directed the AquaSource water and wastewater utility subsidiary where he managed all aspects of a rapidly growing business, including development of the initial business plan, integration of acquisition targets, recruitment of executive staff, and political and regulatory relations. He also headed the rate case filed in Texas for a statewide tariff related to the small water and wastewater companies acquired by AquaSource.
- As Vice President and Treasurer, Mr. Clayton was responsible for corporate finance, financial planning, corporate budgeting, cash management and investor and shareholder relations during a period of unprecedented organizational and marketplace changes. While he was Vice President and Treasurer, he was the stranded cost witness for Duquesne Light Company in their restructuring proceeding before the Pennsylvania Public Utility Commission.
- Mr. Clayton's first position with DQE was as Manager of the Valuation and Property Records (Fixed Assets) department, where he was responsible for the Company's \$5+ billion of fixed assets and the construction cost accounting system, at a time when two nuclear electrical generation plants were being built and added to rate base. While in this position, he was the company's rate base and depreciation witness in its two largest rate cases.

1980-1985 PRICE WATERHOUSE
MANAGER, PUBLIC UTILITY INDUSTRY SPECIALTY GROUP

- Performed numerous cost-of-service, rate design, depreciation and other valuation and rate related assignments for electric, gas, water and sewer clients in the public and private sectors.
- Developed a PC-based cost of service program and completed a program for evaluating street lighting.

1977-1980 GANNETT FLEMING, INC.

- Performed numerous studies in the areas of depreciation and cost of service for electric, gas, telephone, water, wastewater and railroad companies.
- Presented expert testimony before the Pennsylvania Public Utility Commission, the Alaska Public Utilities Commission and Monmouth County Court in New Jersey.
- Completed assignments for more than 50 companies, including electric, gas, water, and telephone and railroad clients.
- Participated in the valuation related to the \$2.1 Billion conveyance of the former Penn Central Railroad to Conrail and provided the analytics for three successful tax cases involving more than \$300 million in tax depreciation for the Union Pacific, the Burlington Northern and the Chesapeake & Ohio Railroads.

Professional Societies

- Mr. Clayton is an active member of the Society of Depreciation Professionals where he has served as Treasurer and as a Board Member. He is an instructor at their annual depreciation training sessions where he has taught the basic and intermediate life analysis courses and the advanced course on preparing and defending a depreciation study.

Regulatory Cases

Page 1 of 3

Regulatory Cases, Cont.

Case Support (No testimony filed)

Page 2 of 3

History of Testimony - Donald J. Clayton

Other Cases					
State	Agency	Docket Number	Company	Utility Type	Primary Issue
NJ	N/A	N/A	International Flavors and Fragrances	Wastewater	Cost of service, rate design
Fed	RUS	N/A	East Kentucky Power Co-op	Electric	Depreciation
Fed	STB	N/A	Kansas City Southern Railroad	Railroad	Depreciation